

## Message Text

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12

ACTION XMB-07

INFO OCT-01 NEA-10 ADP-00 EB-11 AID-20 TRSE-00 RSR-01

RSC-01 /051 W

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O R 030905Z AUG 73

FM AMEMBASSY BEIRUT

TO USINT CAIRO

INFO SECSTATE WASHDC 3538

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FOR WILEY

E.O. 11652: N/A

TAGS: ENGR

SUBJECT: SUMED PROJECT

1. LOCAL KIDDER PEABODY REPRESENTATIVE HAS REQUESTED US TO COMMUNICATE TO YOU COPY OF FNCB LETTER TO EXIM BANK WHICH PRESUMABLY REQUIRES EGYPTIAN GOVERNMENT ENDORSEMENT ON URGENT BASIS. FNCB PRESENTING LETTER TODAY IN WASHINGTON.

2. TEXT OF LETTER FOLLOW.

QUOTE

EXPORT-IMPORT BANK OF THE U.S.

811 VERMONT AVENUE, N.W.

WASHINGTON D.C. 20571

ATTENTION: MR. JOSEPH C. FLEIG, EXECUTIVE SECRETARY

GENTLEMEN:

RE: THE SUEZ-MEDITERRANEAN PIPELINE PROJECT (SUMED)  
ARAB REPUBLIC OF EGYPT

ON BEHALF OF A U.S. SYNDICATE COMPRISING BECHTEL  
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CORPORATION, KIDDER PEABODY SAL, AND FIRST NATIONAL CITY

BANK, WE HEREBY APPLY FOR A PRELIMINARY COMMITMENT OF THE EXPORT-IMPORT BANK TO ASSIST IN THE FINANCING OF U.S. GOODS AND SERVICES TO BE SUPPLIED TO A PROJECT IN THE ARAB REPUBLIC OF EGYPT FOR THE CONSTRUCTION OF A TWIN 42 INCH 200 MILE CRUDE OIL PIPELINE ACROSS EGYPT FROM THE GULF OF SUEZ ON THE RED SEA TO ALEXANDRIA ON THE MEDITERRANEAN. THE PROJECT WILL BE UNDERTAKEN BY EGYPTIAN GENERAL PETROLEUM CORPORATION (EGPC), A CORPORATION TO BE OWNED BY THE ARAB REPUBLIC OF EGYPT WHO MAY HOWEVER SELL AN EQUITY PARTICIPATION TO ONE OR MORE OIL PRODUCING ARAB COUNTRY. MANAGEMENT OF THE PROJECT WILL BE WITH EGPC. IN THE EVENT SATISFACTORY ARRANGEMENTS ARE MADE INCLUDING THE PARTICIPATION REQUESTED OF EXPORT-IMPORT BANK, WHICH IS CONSIDERED ESSENTIAL IF THE U.S. SYNDICATE IS TO COMPLETE WITH THE EUROPEAN SYNDICATE WHO HAVE COMMITMENTS OF FINANCIAL ASSISTANCE FROM THEIR RESPECTIVE GOVERNMENT, THIS BANK PROPOSES TO PARTICIPATE IN THE FINANCING AS A LENDER. IN SUPPORT OF THIS APPLICATION WE SUBMIT THE ENCLOSED DOCUMENTS FOR YOUR INFORMATION AND REVIEW:

1. SUMMARY OF THE PROJECT.
2. A LIST OF THE COMMITTED PIPELINE USERS.
3. A DRAFT OF A PROPOSED PIPELINE USER'S CONTRACTS.
4. A DRAFT SUMMARY OF A PROJECTED CASH FLOW SHOWING THE ESTIMATED SOURCE OF FUNDS, DEBT AMORTISATION, INTEREST PAYMENT AND THE NET EFFECT OF EGYPT'S BALANCE OF PAYMENTS. IT IS CONSIDERED THAT EXIMBANK'S DIRECTOR PARTICIPATION IS REQUIRED TO REDUCE THE INTEREST BURDEN IF THE U.S. BID IS TO BE COMPETITIVE.

BECHTEL'S PRELIMINARY STUDY EXPECTS THE PROJECT TO COST APPROXIMATELY \$400 MM. LOCAL COST OF APPROXIMATELY \$100 MM WOULD BE MET FROM EQUITY TO BE SUBSCRIBED IN LOCAL CURRENCY BY THE EGYPTIAN GOVERNMENT. OFFSHORE GOODS AND SERVICES WHICH COULD ALL BE OF U.S. ORIGIN, WOULD APPROXIMATE \$300 MM INCLUDING \$30 MM INTEREST DURING CONSTRUCTION. TO MEET THIS FINANCIAL REQUIREMENT, WE PROPOSE THE FOLLOWING LOAN PACKAGES:

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1. TO FINANCE THE PORTION OF US GOODS AND SERVICES AFTER 10 PCT. DOWN PAYMENT:

LOANS:

A. EXIMBANK DIRECT LOAN (LATE MATURITIES) \$135MM

B. COMMERCIAL BANK PARTICIPANT     \$135MM

LOAN-

EXIMBANK'S GUARANTEE IS NOT REQUESTED  
FOR THE EARLY MATURITIES.

AVAILABILITY:

DRAWDOWN TO BE PERMITTED UP TO DECEMBER 3, 1976.

REPAYMENT:

A. LOAN A AND B: 16 SEMIANNUAL EQUAL IN  
INSTALLMENTS BEGINNING AT THE TIME THE PROJECT  
REACHES FULL PRODUCTION OR JANUARY 1, 1977  
WHICHEVER FIRST OCCURS. THE COMMERCIAL BANK  
(LOAN ?) PORTIONS TO BE REPAID FOM THE FIRST 8  
INSTALLMENTS;

2. OTHER FOREIGN EXCHANGE COSTS REQUIRED TO BE  
FINANCED BY THE U.S. SYNDICATE:  
10 PCT. DOWN PAYMENT     \$30MM

LENDER:

CONSORTIUM OF COMMERCIAL BANKS AND OTHER LENDERS.

AVAILABILITY:

DRAWDOWNS TO BE PERMITTED UP TO DECEMBER 31, 1977.

REPAYMENT:  
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16 INCREASING SEMI ANNUAL INSTALLMENTS  
BEGINNING AT THE TIME THE PROJECT REACHES  
FULL PRODUCTION OR JANUARY 1, 1977 WHICHEVER  
FIRST OCCURS.

3. GENRAL

ALL LOAN WILL BE GUARANTEED BY THE CENTRAL  
BANK OF EGYPT. ADDITIONALLY EXISTING 10-YEAR  
TAKE OR PAY THROUHPUT CONTRACTS FOR 80MM METRIC  
TONS OF CRUDE PETROLEUM PER ANNUM WILL BE FORMALLY  
ASSIGNED TO ALL LENDERS ON A PARI PASSU BASIS AND  
AN ESCROW ARRANGEMENT WILL BE ESTABLISHED OUTSIE  
EGYPT THROUGH WHICH ALL PROCEEDS OF THE THROUGHPUT

CONTRACTS WILL FLOW.

FIRST NATIONAL CITY BANK WILL CONTROL THE ESCROW  
ACCOUNTS IN WHICH ALL FUNDS WILL BE RETAINED FROM  
THE START OF ALL SIX MONTHLY PERIODS UNTIL THE  
BALANCE EQUALLED THE ESTIMATED AMOUNT  
OF PRINCIPAL AND INTERST PAYABLE ON THE SUBSEQUENT  
MATURITY. THEREAFTER SURPLUS FUNDS WOULD BE  
RELEASED TO EGPC UNTIL THE NEXT MATURITY DATE  
WHEN THE BALANCE IN THE ESCROW ACCOUNT WOULD AGAIN  
BULD UP.

THE U.S. SYNDICATE HAVE BEEN GEIVEN UNTIL AUSUT  
13TH, 1973 TO SUBMIT OUR FIRM OFFER TO THE GOVERNMENT  
OF EGYPT AND EGPC AND, IF WE ARE TO RESPECT THIS SCHEDULE  
WE REQUIRE AN EARLY REPLY. THE SYNDICATE MEMBERS ARE  
PREPARED TO DISCUSS THIS PROJECT WITH YOU AT ANY TIME, AND  
REQUEST YOU TO GIVE THIS MATTER YOUR EARLIST ATTENTION  
SO THAT WE CAN HAVE A REPLY BY AUGUST 10YH, 1973.

SINCERELY YOURS,

(S) ALAN S. GOLDIE

VICE PRESIDENT END QUOTE

DECONTROL UPON RECEIPT.

BUFFUM

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 03 AUG 1973  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** golinofr  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** n/a  
**From:** BEIRUT  
**Handling Restrictions:** n/a  
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**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**TAGS:** ENRG  
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